

- (i) Augmentation of facilities and capacity building of the State Administrative Training Institutes/Staff Training Colleges and State Government Secretariats.
- (ii) Commissioning of STPI at Guwahati.
- (iii) Development of a portable remote sensing device based on active echo sounding by optical means (LIDAR).
- (iv) Setting up of 13 resource centres for Indian language technology solutions covering all constitutional languages.
- (v) Four centres set up by C-DAC for PACE programme in the States of Assam, Nagaland and Manipur.
- (vi) Support to 26 institutions by DOEACC Society for imparting education and training in computers.
- (vii) Augmentation of Electro-medical Equipment Maintenance (EMM) Centre at Guwahati.
- (viii) Technical assistance for promoting Braille literacy in Indian languages at Jorhat Blind School, Jorhat, Assam.
- (ix) Employment Generation Training Schemes through institutions supported by the Ministry.
- (x) Installation of Braille transcription system at selected blind schools in Assam, Sikkim and Mizoram.
- (xi) Initiatives for promotion of local industries, and for promotion of cultural heritages.
- (xii) Digitisation of land records in Assam.
- (xiii) Preparation of maps of Sikkim through GIS.
- (xiv) Providing connectivity to Research and Educational Institutions through ERNET Society.

#### **Promotion of IT Software**

1298. **SHRI. H.K. JAVARE GOWDA:** Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that Bangalore is a Must See City for China's IT Sector;

(b) if so, what steps Government propose to take to promote IT software; and

(c) whether Government would create a cell to focus on IT enabled Services to provide employment opportunities; if so, the details thereof?

**THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN):** (a) Bangalore also called the 'Silicon Valley of India' is an preferred destination for IT companies. The IT corporate majors like Infosys, Wipro, Satyam, IBM, Compaq etc. have set up their units in Bangalore. Various initiatives of the Government for promotion of IT in Bangalore include the setting up of the Software Technology Park (STP). STP offers state-of-the-art facilities to software exporting units. It offers a range of services, from single window clearance, to high speed data communication facilities to the software exporting units.

(b) Various incentives provided by the Government for the promotion of IT Software sector are given in the Statement (See below).

(c) At present there is no such proposal under consideration of Ministry of Information Technology.

#### **Statement**

##### *Incentives for Software Sector*

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.
2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-Consumer (B2C) e-commerce are under the automatic route.
3. Software Technology Parks (STP) Scheme is implemented under the aegis of the Ministry of Information Technology through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).
4. Accelerated depreciation norms for computers and computer peripherals for units under Export Oriented schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.

5. DTA access upto 50% of the FOB value of export is permitted for software units under EOU/STP schemes.
6. In the 2000-01 Budget, Customs duty on Computers and Peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 2001-02 Budget, Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) has been reduced from existing 20-25% to 15%.
7. Information Technology Software is exempted from Customs and Excise Duty.
8. EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Section 10A and 10B of the Income Tax Act. On site development of computer software and services will also be eligible for tax exemption.
9. Definition of Computer Software, as in Section 80HHE of the Income Tax Act has been widened to include transmission of data.
10. Benefit of Section 80 HHE is available to supporting software developers.
11. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.
12. IT Enabled Services have been made eligible for Income Tax benefit under Sections 10A, 10B and 80HHE of the Income Tax Act.
13. A National Venture Fund for Software and IT Industry (NFSIT) has been set up with a corpus of Rs. 100 crores, out of which MIT shall contribute Rs. 30 crores.
14. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.
15. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

16. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.
17. Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the Budget 2001-02.
18. Under the employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.
19. Tax holidays under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.
20. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps.
21. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purpose of scientific, social or statistical research has been provided.
22. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.
23. Software Technology Parks of India (STPI) has set up a business support Centre in the USA, which is operational since November, 1999, to promote business for STP units and provide marketing support to SMEs.